

# **RSOG Seminar**

## **Understanding the Evolution of Organisational Corruption**

with

**Dr Stelios Zyglidopoulos**

**When** : 20 May 2015  
**Where** : Razak School of Government  
**Speakers** : Dr Stelios Zyglidopoulos

### **About The Seminar**

Why does corruption still occur when it is widely known to be morally wrong? The seminar sought to explain how organisational corruption can shift from any situation in which the individuals involved 'should have known better' to 'not knowing any different'. Drawing on a qualitative study of Greek managers in the public and private sector, it was argued that in some cases the 'reference point' used to gauge organisational wrongdoing can shift to such an extent that individuals no longer see their criminal behaviour as ethically wrong. Understanding how and when the reference point shifts may attempt to offer some explanation on corruption in organisations today and identifying suitable measures to curb it.

### **Summary**

Corruption is considered in many cultures as scourge that causes damage to society. Dating back to the Hammurabi Codes, Babylonians understood the need for honesty and for officers to be free from corruption to ensure justice system can function effectively. Ibn Khaldun, the Islamic scholar mostly associated with scientific history and sociology, also attempted to understand the causes of corruption and why it continually recurs in societies. Closer to home, renowned public thinker, the late Syed Hussein Alatas, also invested his time and passion in understanding this phenomenon, sharing his views in "The Sociology of Corruption" in 1968, and many more published works thereafter.

Despite being viewed as ethically and morally wrong, corruption remains a plague in many parts of the world. On 20th May 2015, Dr Stelios Zyglidopoulos shared his views

on “Understanding the Evolution of Organisational Corruption” before an audience comprising from public service, private sector and the academia. In the seminar, it was argued that the human behaviour under social and contextual pressures may offer some insights as to how corruption occurs and may become a norm. The infamous rise and fall of Arthur Andersen was used to illustrate how an organisation can shift its ethical stance. In 1913, the accounting firm was founded in Chicago, in an environment where accounting was not synonymous to honesty. Despite that the firm ensured that it stood for honesty and professionalism, to the extent that it became the industry leader in developing new standards and procedures. However, as the years went on, the ethical and integrity foundation that was laid somehow shifted. Even before the infamous Enron case came into the picture, the firm’s culture was deteriorating and was experiencing poor ethical leadership.

The speaker believes that corruption occurs when there is a motive to conduct in such behaviour and there is an opportunity to do so. Motivators of corruption include personal gain, fear of reprisal, and pragmatic/functional considerations. It was also posited that organisational corruption can occur when decent people are put under unbearable pressure in meeting ambitious goals without the necessary resources – e.g. asked to do X without the resources to do X. Therefore, they are tasked with identifying ‘innovative’ ways under these impossible situations. Impossible situations also introduces misaligned goals and rewards. The Enron case was used as an example where the organisational goal was towards a sustainable and law-abiding firm but, in practice, it rewarded short-term gains and secrecy. This disjoint in aligning goals and rewards (goal displacement) occurs due to many factors such as social reinforcement, over emphasis on visible behaviours, and inadequate control systems.

The disjoint may also lead to cognitive dissonance – whereby an individual finds themselves in an unpleasant psychological state when engaging in a behaviour that contradicts one’s belief system. In addressing this unpleasant psychological state, the individual will attempt to do either one of the two – changing behaviour or changing cognition (belief system). In changing cognition, rationalising the said behaviour often takes place. Phrases such as “After what they did, this is nothing”, “I was just following orders”, and “They deserved it” not only attempts to downplay the significance of unethical behaviour, it is also an attempt of normalising the behaviour. The speaker shared that cognitive dissonance can stem out of social pressures and obedience towards authority figure, and if these exists as organisational facilitating factors, it must be addressed to curtail corrupt behaviours. In addition, it was argued that there are environmental factors such as the focus on short term gains, which puts pressure to perform, and inadvertently corruption can become an unavoidable part of doing business as the case is in some countries.

Once rationalisation takes place, it may escalate further and become imprinted into the organisation, and the society as a whole. In the speaker’s research , it found that one can shift from believing that organisational corruption is unethical and wrong to “perhaps illegal but can be acceptable or is functional in nature”. This is in line with the

environmental context that was used to explain why corruption occurs – because it is rationalised as an unavoidable means of doing business and it serves a specific function towards an organisational goal. Those who is perceived to ‘know better’ utilises this rationalisation method, whereas those who did not know any different did not need to justify their act as there are no cognitive dissonance in place.

In In curbing organisational corruption, reward and control systems must be in place and must be coherent with a code of ethics. The danger is that reference point somehow can shift easily, as was the case of Arthur Andersen’s role in Enron, and in many other corruption scandals that have wrecked both the public and private sector. More importantly, the study identified the role of tolerance as the driving force of shifting the baseline. Once rules are broken without repercussion, it normalises bad behaviour and illegal acts are understood to bear no negative consequence. Small transgressions then can escalate to become organisational norms. A no-tolerance policy to bad behaviour, coupled with early detection and punitive measures, may hold the key to minimising corruption in organisations.

As Alan Greenspan, the American economist who served as Chairman of the Federal Reserves of the United States, once said, *“Corruption, embezzlement, fraud, these are all characteristics which exist everywhere. It is regrettably the way human nature functions, whether we like it or not. What successful economies do is keep it to a minimum. No one has ever eliminated any of that stuff.”*

### **Issued raised**

- To some extent, technological advancement have negatively impacted on ethical distance (the distance between an act and its ethical consequences) such as the utilisation of drones as compared to fighter planes and as such one is spared of recounting the consequences.
- Bribery is seen as an effort to buy favours and it occurs at many levels in many organisations. Some have argued that increasing wages for the lower levels of may provide some cushion to curb it. However, it is more important and sustainable to inculcate strong value system, ethical code of conduct and understanding the difference between common courtesy and tit-for-tat favours.
- Whistleblowing consequences are unfortunately universal in nature, as the whistleblower often bears the risk of losing their job and reputation in spite of their contribution. Whistleblower-protection systems may need to be explored as it is another mechanism to curtail corrupt practices.

- Regulatory response and rewards/incentives systems must reflect the reality on the ground.

## **About the Speaker**

Stelios Zyglidopoulos joined the University of Glasgow's Adam Smith Business School as a Reader in Strategy in 2014. A Fellow of Homerton College, University of Cambridge and with a PhD in Strategy and Organisation, he obtained his MBA from McGill University, an MA (Cantab) from the University of Cambridge, an MA in Philosophy from Birkbeck College, University of London, and an MSc from the University of Piraeus, Greece. Prior to joining the University of Glasgow, he held academic positions at the Cambridge Judge Business School, the Rochester Institute of Technology, USA, and Erasmus University in the Netherlands. Stelios has extensive executive education experience, teaching in both open and customised programmes.

## **Contact**

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